

Oneota Community Co-op Board Statement—January 29, 2009

The Board has heard from many members about the recent changes at the Co-op. This statement addresses some of those questions and concerns and seeks to give information to make the layoffs more understandable. Our role is to represent all of the members, those who contacted us with concerns about layoffs, and those who expressed support for these tough choices.

The plainly spoken truth is this: our store absolutely needs to cut its operations to the bare bones, and build some capital in order to survive. The future of the store is at stake, and along with it over \$1M in member-owned assets. We can rescue the store if we follow some extremely strict guidelines for controlling our expenses—especially dealing with cutting labor and managing inventory. For too long we have thought we were immune from the considerations of the business world. The Board stands here tonight to say that we no longer have the luxury to imagine we are different from the rest in this regard. The Board's role, right now, is to be the voice that insists we run our Co-op as a business so we can fulfill our Co-op's purpose.

Why restructure and lay off Liz? The Board has issued a letter that puts the recent lay offs in the context of a very stressful financial situation, and the need for organizational change. We realize that these decisions are very difficult to accept and that feelings run very high. Our own feelings run high! Rumors persist about why Liz was laid off. Please realize that the Board is under the same legal responsibilities as any organization with regards to an employment relationship—those being privacy and confidentiality. We know that not offering an explanation beyond these we have offered may not allow us to answer rumors or other charges. We understand this silence may, in fact, exacerbate the problem because where explanations are scarce, speculations abound. But our legal obligations are clear. Beyond stating that legitimate business reasons lie at the heart of the layoffs, we can say no more about the matter.

Our new GM will have to figure out how to accomplish the tasks of the marketing/membership position. Some functions such as signs and ad copy are already being done by others. The *Scoop* is coming out soon. Our new GM will have to create a marketing plan to address slow sales, and determine how to handle the member services function of that position. Things won't be the same; that is for sure. We believe we *can* keep our soul through these trying times, but it will require the good will and help of everyone until we can get our financial feet on the ground.

Are we more than our bottom-line? Yes. Our Co-op exists to fulfill a purpose. But in order to achieve this purpose, we need to have a store. At this point in our history, we need to focus all of our resources, as soon as we can, on securing the future of the store. Along the way, we will do what we can to advance our purpose. It is our job, as the Board, to keep our attention focused on survival right now, while doing as much as we can to advance that purpose.

How much can, or should, the Board protect former co-managers from terminations? The Board recognized the difficulty for both parties when former managers work under a new GM. To balance the smooth operation of the store with the financial concerns of the former managers, the Board made arrangements for a transition period. These arrangements are confidential, personnel matters, and we cannot comment on the details. However, the Board has never been in a position to guarantee that an employee not be laid off, and it cannot guarantee any individual's financial security indefinitely.

Does the Board adequately oversee the GM? Ironically, this question has arisen at just the moment when the Board's expectations for, and oversight of, the GM are higher than they have ever been before. In the past year we have developed strong routines for gathering relevant data and monitoring the processes of the store. As a result, the GM and the Board are under greater scrutiny than at any time in the past. Do we need to continue to improve our oversight? Yes. For example, we need to determine how and when to use external reports, such as audit reviews, as a way to verify the GM's performance. External verification has never been sought before this last year. We have started those conversations, but more needs to be done. Second, we need to ensure financial and operations systems are giving us relevant data on a monthly rather than quarterly interval, and that cash be monitored more frequently than that. In the last nine weeks, Michelle has started to improve our financial systems. Simply put, our store needs to be more responsive to the factors that impact the bottom line. The Board, GM, and staff should use these data for immediate decision-making. Finally, we need a set of organizational goals and a strategic plan that allows us to work progressively toward achieving our purpose. Though it **must be** our focus right now, simple existence is not enough for our Co-op. In the near future, we must develop a plan to fulfill our purpose in the community.

Is the Board too isolated from staff? This question plagues many organizations. We have struggled with this issue, too. After much thought, this summer we developed two separate methods for staff to contact the Board about concerns. First, staff are members and should be encouraged to contact the Board through regular member channels—through letters and through comments at the Board meeting. Second, a staff survey was conducted and a special report given to the Board. The survey was very helpful as a way to evaluate GM performance. To our knowledge, a staff survey has never been done at the Co-op before. Over the next year, we will work with our Board consultants and our GM to develop ways to gather information to evaluate GM performance in key areas.

What accounts for our tight cash situation? Contrary to what one might think, we did not over-extend ourselves through our expansion. Our expansion debt is reasonable for the sales volume of our store as confirmed by the NCGA audit report, our prior consultation with financial consultants, and our current debt/equity ratio. Two big factors contributed to our cash difficulties—low sales, and a chronic inability to effectively deal with labor and inventory. The recession and other factors hurt our sales, no doubt about that. But even that can be weathered if we are able to address the other two issues adequately. Why haven't we? Within the organization there has been tension about whether we are a business, or not. As a result, for some time we have been unable to make tough choices that would reduce labor costs. Also, for too long we operated without adequate financial and operations systems. Crucial data were either not available to, or not able to be used by, department staff and the GM. Finally, we have not been able, until now, to monitor the store's performance in anything close to "real time," so adequate changes could not be made soon enough. We are all responsible for this tough situation—Board, managers, and store staff. But we know the key to our future success is that we have to treat this store like a business. This Board insists on it.

Why hasn't the Board communicated this situation to members? One of the Board's roles is to communicate to members and to determine what members want. While we are doing what most Boards do under normal times—talking to individuals, using newsletters, posting minutes, and encouraging attendance at meetings—these are not normal times. We have not done enough to communicate outside normal channels. The normal channels don't operate well when there are

such huge lag times. For example, our financial systems didn't allow us to get a 2nd quarter report until August. The *Scoop* came out in October/November, which put us into 4th quarter before people got an inkling that we were concerned. One of our goals this year is to create some other avenues for communication that are more immediate. But not only do we need to tell members what is happening, we need to hear from members—all kinds of members—about their desires, too. Our goal, as outlined in our monitoring report for January, is to research, develop, and implement a plan to improve our connection with, and knowledge of all of our members.

What can members do? Most importantly, members need to shop at the Co-op. If even 500 members committed to spending \$5 a week more at the store, that alone would translate into a 4% increase in sales. Also, the store needs to attract new customers. We all know it: the store still needs to overcome our image as a “club” to many in the community. While the new store has helped us overcome that image, we must welcome all who enter our store and honor their presence. At some point we may need to approach willing members for additional working capital loans. However, until we are assured that our operations are tight, the Board cannot contemplate this option. Finally, since staffing is down from historically high levels, store staff needs our support and encouragement as they adjust to an environment that is the right size for our size.

The Board is clear that everyone in this room wants what is best for the Co-op. For that reason, if for no other, we are hopeful for the future. But there are other reasons for hope. We know that the Co-op will benefit from consistent leadership and new ideas. We know that if the Co-op can focus all of its attention, right now, on improving our cash situation, we can overcome our cash difficulties. We know that the Board is committed to continuing our goal to be the best Board possible—one that functions well, communicates to members, and oversees the Co-op's performance in an ever-increasing level of sophistication.

In co-operation,

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